

1960

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November of 1961 of long terms, and he would like the power to stage these things out so that you would not have that big sock in 1 week's or 1 month's market. That is not an unreasonable request in terms of debt management. But, why has not the Treasury done all the things that they now ask us to give them the power to do when they had the power without regard to this law? In other words, having failed to accomplish their stated purposes during the time when they had complete freedom to do it, they now come in and say that they are going to accomplish all the things that they previously said they would accomplish if we would just let them pay higher interest rates. I say this is no time to be tying up the taxpayers' obligations to pay interest for 20 years. Even at 5 percent, a billion dollars' worth of 20-year bonds will carry a full billion dollars of interest. Within a few years those rates might go back to 2½ percent. A half billion dollars of that interest, therefore, will become a capital gain to the persons who hold this billion dollars worth of bonds, and that capital gain will only be taxed at half of the prevailing rates on incomes and the Treasury, therefore, will not even get back a fair tax on the interest which it pays out. I think the Treasury's request comes at the worst possible time in our economic history. The Congress has only this one direct hold on them. We should not administer the Federal Reserve. But, we have a check written into the law and if we abandon this check, they will have the absolute freedom to act without let or hindrance from this day forward. If we pass this act, we become accomplices to the fact and to the act of their mismanagement of our public credit.

Mr. PATMAN. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of Colorado. I yield.

Mr. PATMAN. On the question of what the Secretary of the Treasury proposed and what he actually received, I have here a statement from one of the most popular financial reports that goes out of Washington each week. I shall put the whole report or at least all of it that is opportune and timely in my statement following the gentleman, but I want to read this first paragraph only. It says:

Secretary Robert B. Anderson does not want to come right out and say so, but the Treasury won a smashing victory this week when the House Ways and Means Committee approved a compromise 4½ percent interest rate ceiling bill. The Secretary has some genuine reservations—some technical and some philosophical—but his main problem is political. The one sure way to lose most of what he has won is to tell the world that the Ways and Means Committee has approved a jim-dandy bill that solves the Treasury's debt management problems. This is all the encouragement the bill's opponents need to begin a vigorous attempt to wreck the Ways and Means bill.

In other words, not only does this reporting service report that Secretary Anderson received from the Ways and Means Committee everything that he wants, but other reporting services make the same kind of report. I think they

are justified in it after reading the provisions of this bill. One part of it reminds me of the loan shark method of doing business, where you sign up for a thousand dollars and get back \$900, payable in a short length of time. This is not that way, but you put in \$900 and get \$1,000 in Government securities back. This is the loan shark method in reverse.

Mr. DOOLEY. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of Colorado. I yield to the gentleman from New York.

Mr. DOOLEY. I am wondering how in face of the gentleman's statement the distinguished gentleman can explain the fact that we are enjoying the greatest prosperity in our history and also the highest employment level in our history.

Mr. JOHNSON of Colorado. When you take the last comment first, the total number of employed may be greater than in bygone periods, but the rate of unemployment is that normally associated with depression. Because we have a normal increase in population, and new efficiencies, we naturally expect a growth in the economy of almost 4 percent per year. We have not had 4 percent growth per year. While I could agree with the gentleman that we are enjoying a higher growth than in any prior year, the nub of my argument is that had the management of the policies been better—and this has been documented by the Joint Economic Committee—we would be enjoying a far higher gross national income. The difference in where we are today and where we would have been had we maintained a healthy growth during the past 6 or 8 years, would be enough difference to equal our entire military budget. This is the question: Have we been making the kind of progress that a healthy economy could have made in face of the situation that faced America? We are in competition with many economies which are showing a greater growth. We ought to be doing better than we are, and we will be judged not by whether we are better than we were a year ago but do we show the capacity to achieve the goals which we would like with freedom. If we fail, freedom fails.

Mr. DOOLEY. You mentioned our economic growth. I would like to read from an article bearing on that question:

1. TO MAINTAIN ADEQUATE ECONOMIC GROWTH

The adequacy of our economic growth in comparison with that of other nations, especially Communist nations, has become a matter of growing discussion and concern. Economic growth has become almost as important during the last 5 years as military security, for it appears probable that the contest between the Communist and capitalist nations is to be an economic and not a military contest. It would also be a vital factor for success in a military contest.

Since the great American experiment in economic freedom began 15 generations ago, the United States has had unmatched economic growth. This unprecedented experiment gave us the highest standard of living ever achieved.

At the end of World War II the United States was the most powerful and prosperous nation in the world. We were leading a group of nations whose productive capacity and economic and financial resources had been seriously damaged. They were dependent upon us for financial aid—which we gave

to them to the extent of more than \$60 billion.

Since then, our economic growth has continued, but many nations which we aided have grown economically faster than we have. Industrial production in Western Europe has about tripled, and has increased even more in Japan, West Germany, and in the Soviet Union, while in the United States it has not quite doubled.

Since 1952, according to data of the United Nations and the U.S. Government, published by Prentice-Hall, the average annual gain in production of the Soviet Union was 15 percent, of Red China was 27 percent, of the free world nations as a group was 7.3 percent, while that of the United States was under 5 percent.

These percentage figures do not indicate comparable volume of output for the various countries. The percentage increases for all of the nations mentioned except the United States were from abnormally low bases, largely the result of a war which had destroyed much of their productive equipment.

We have been told by Allen Dulles, Chief of our Intelligence Service, that "the Soviet Union is now increasing its production at a rate about twice that of ours."

Eleven economists at a conference board conference last fall agreed that our "rate of economic growth has slowed to the point where it trails that of most major nations, and that . . . its per capita output had risen little in the last 5 years."

U.S. News & World Report quoted "an important U.S. official" as having said: "Something must be wrong somewhere when a nation of peasants . . . can emerge from a highly destructive war and within 15 years gain the strength to challenge the great modern powers of the world. It shows what a nation can do when willing to work, to accept discipline and the lack of creature comforts. What will happen within another 15 years if the present trend continues is something to worry about."

These comments suggest the fundamental requirement for correcting this situation. We must take off the brakes which are retarding our productivity. We must work cooperatively to increase our industrial efficiency. Individuals and economic groups must accept and share personal responsibility for national welfare and for the stability of our dollar. We must demonstrate to the world that no economic system can surpass in its accomplishments the free enterprise economic system of the free world, of which we are a part.

The 1960's can be a period of great economic expansion and prosperity for the United States. We have the necessary productive potential and the material, financial and human resources. We must use them effectively. Rapid economic growth can be accomplished only through an expansion and modernization of our capital goods, and their efficient use.

One essential will be maintenance of sound international financial conditions by which we avoid a serious balance-of-payments problem.

2. THE BALANCE OF INTERNATIONAL PAYMENTS

The United States had trade deficits every year, except 1957, for the past 10 years. They totaled \$17 billion. We spent that much more abroad than other countries spent in the United States. Until 1958, the deficits averaged about \$1.3 billion yearly. This was a healthy situation for the free world and for us, as it enabled the rest of the world, and especially Western Europe, to rebuild its foreign exchange reserves of gold and dollars. Our dollar, exchangeable for gold under certain conditions, became the keystone of international stability.

In 1958, our trade deficit increased to \$3.42 billion. The major trouble that year and in 1959 was that our balance of foreign trade